ORAL DECISION

IN THE MATTER OF an Application by New Brunswick Power Corporation dated January 8, 2002 in connection with a proposal for its Load Forecast.

May 2, 2002

NEW BRUNSWICK

BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

The purpose of the recently concluded hearing was to allow a review of NB Power's updated load forecast. The update was required due to the fact that the original load forecast was filed in March, 2001, more than a year in advance of the date for the hearing on the refurbishment of Point Lepreau. This updated forecast was to address all significant changes, including the impact of demand side management/energy efficiency (DSM), natural gas penetration/fuel switching, self-generation by large customers and supply of electricity by parties other than NB Power.

The forecast has undergone an extensive review by way of written interrogatories and oral testimony. At the close of the hearing, final arguments were presented by the Conservation Council of New Brunswick (CCNB), the Saint John Citizens Coalition for Clean Air jointly with the Canadian Unitarians for Social Justice, Mr. Daniel LeBlanc and the Province of New Brunswick as represented by the Department of Natural Resources and Energy.

All forecasts involve uncertainty and the use of judgement. Certain intervenors suggested that some aspects of NB Power's forecast may be incorrect for various reasons. Their conclusions were that NB Power's forecast was too high.

No intervenors provided any evidence and as a result, there is no other load forecast on the record to compare and contrast with the forecast provided by NB Power. Further, no party demonstrated that NB Power's load forecast was in error in any substantial aspect.

NB Power's response was that the forecast was the best estimate available and that it could as easily be too low as too high. The Board concludes that, on balance, the updated load forecast is reasonable.

This forecast is similar in its conclusion to that of the original forecast. Therefore, the Board believes that it is acceptable to use the original forecast in the upcoming review of the proposed refurbishment of Point Lepreau. The load forecast exceeds the resources expected to be available in the absence of Point Lepreau. The best way to address this difference, by way of additional supply or reduction in load, will be the subject of the hearing scheduled to begin May 27, 2002.

Several intervenors requested that the Board direct NB Power to conduct additional research with respect to DSM. The purpose of this research would be to identify the cost would be for additional DSM measures that would reduce the load and to design the appropriate programs.

NB Power's response was that it had identified those DSM activities which it believed were economic and had included these in its forecast. In addition, NB Power has reflected the impact of all existing DSM initiatives of which it is aware. NB Power did not think it was appropriate to implement initiatives which would be uneconomic in nature, thereby increasing the overall energy costs. NB Power further stated that such an initiative would be inconsistent with its mandate to supply energy in an economic and efficient manner. No party offered any evidence that NB Power's assessment of the

economics of various DSM initiatives was incorrect. The Board is an economic regulator and therefore does not consider it appropriate to direct NB Power to conduct research, at considerable expense, into initiatives which have not been demonstrated to be economic.

One area of concern to this Board is NB Power's lack of any specific provision to account for the effect of price elasticity in its econometric models. As a result of hearings held in 1992-1993, the Board concluded that higher prices may affect demand and suggested that a price elasticity variable be included in future modelling. NB Power stated that the model used in preparing the load forecast does not explicitly account for price elasticity of demand. The Board considers that such a feature would be valuable and strongly recommends NB Power to modify the model so as to include the ability to specifically adjust for price elasticity of demand.

DATED at the City of Saint John this 2nd day of May 2002.

BY THE BOARD

Lorraine R. Légère
Secretary